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# **A Naval Aviation Foreign Military Sales Logistics Process Improvement Team Update**

**By**

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The Naval Aviation FMS Logistics Process Improvement Team (LPIT), chartered by VADM W.C. Bowes Commander, Naval Air systems Command and RADM R. M. Moore Commander, Naval Supply Systems Command in August 1993 to integrate and streamline the processes that logistically support Naval Aviation Foreign Military Sales (FMS) programs, was highlighted in the Summer 2000 issue of the *DISAM Journal*, Volume 22 No. 4 page 5-10. The LPIT consists of the FMS Logistics Steering Committee, the International Logistics Enterprise Team, the FMS Customer Advisory Group, the Industry Advisory Group, and the Logistics Support Office. The FMS LPIT works together at conferences and in separate meetings to create and enhance logistics processes that improve life cycle support for Naval Aviation FMS weapon system programs. The LPIT also examines technical logistics processes to develop innovative solutions for FMS logistics problems. The following information is provided as an update on several issues being worked by the team.

## **FMS Reserve**

A Deputy Under Secretary of Defense (DUSD) (L/MDM) memo of January 30, 1995 authorized the Department of Defense inventory control points to establish a FMS reserve to identify and retain assets that may be needed to support foreign-owned weapon systems that have been phased out of use by U.S. forces. A DUSD (L/MDM) memo of September 25, 1995 further defined these assets as material not excess to the DoD, thereby providing protection from disposal actions required of excess material. The Assistant Secretary of the Navy (ASN) (RD&A) memo of August 25, 1998 required the FMS reserve to include all stock numbered and non-stocked numbered material for out-of-inventory systems managed or owned by the Navy hardware system command that is needed by foreign government under the security assistance programs.

The LPIT took responsibility for developing the FMS reserve for Naval Aviation FMS customers with the goal of enhancing life cycle logistics support for FMS customer weapon systems. The FMS reserve includes supply system assets managed by inventory control points (ICPs) and sponsor owned material (SOM), which includes support equipment, parts, training devices, etc., managed by HSCs. NAVAIR FMS reserve SOM is a sub-set of NAVAIR total SOM and managed as part of the NAVAIR Total Asset Visibility (TAV) program. Since the FMS Reserve items are not excess to DoD, they can be issued at full standard or market price (with adjustments for age, model, and/or condition). To date, millions of dollars of material have been sold through the FMS Reserve for several different platforms.

NAVAIR operations are detailed in formal NAVAIR FMS reserve business rules signed in May 2001. Roles and responsibilities are delineated in these rules. The FMS Reserve Board has overall policy and oversight responsibility. NAVAIR's TAV manager has responsibility for TAV policy and operating expense budget authority. NAWCAD Lakehurst personnel are responsible for financial management and banking services via the Navy working capital fund in addition to program and direct sales management. NAVICP has supply system sales management responsibility for stock numbered material held as sponsor-owned material, and they account for sales and credits in accordance with the FMS Reserve Memorandum of agreement.

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The current status of the self-sustaining FMS reserve reflects all costs and warehousing expenses as paid through fiscal year 2002. In addition, sales are projected to cover all expenses through fiscal year 2003. It is anticipated that the FMS Reserve will continue to remain solvent and eventually produce funds to go to the U.S. Treasury since revenue from sales will be above the amount required to perpetuate the FMS reserve.

### **Third Party Transfer**

The Third Party Transfer for six of the seven F-18 customer countries was approved in January 2002 after three years of work by LPIT members. Under Third Party Transfer, end-user agreements are signed by each country. These documents are pre-approved blanket agreements that state the receiving country will protect and respect the classification of the same configured item from another country. The pre-approved agreements provide the FMS F-18 community the ability to exchange and repair parts in an efficient manner without having to go to the Department of State (DoS) for each occurrence. The only requirement is to provide a quarterly report to the DoS for the items exchanged.

The need for third party transfer was seen by LPIT members and the FMS F-18 community due to budget and manpower reductions in the U.S. along with significant increases in major U.S. deployments and operations throughout the world. The budget reductions decreased spare procurements, while the increase in world operations caused a drain on off-the-shelf or stocked items. The U.S. also reduced its depot core repair capability by turning to outsourcing with Direct Vendor Delivery or total logistics support with major contractors. These issues, combined with parts obsolescence issues as Boeing Aerospace closed its main F-18C/D production line, led LPIT members and the FMS F-18 community to seek an economical and efficient legal means to make available spare and repair parts from one FMS customer country to another.

Australia, Canada, Finland, Kuwait, Malaysia, and Switzerland officials have signed the end-user agreements for F-18 third party transfer. Commodities for transfer include specific common and unclassified FMS-origin F-18 spare parts. Other items, not specifically cited in the agreement, but are also transferable, include related subsystems, accessory attachments, support equipment, and technical data. The end-state will be a better U.S. and FMS customer interoperability and improved U.S. national security. Third party transfer for F-18 FMS customers will also ensure the U.S. military has access to certified repair sites that can be reached quickly throughout the world and help individual F-18 FMS customers support their own logistics requirements more efficiently.

### **WebLINK-International**

FMS customers requested access to the Defense Logistics Agency's (DLA's) tailored logistics information through DLA's WEBCATS, a Web-based Customer Account Tracking System. WEBCATS is an Oracle-based internet product that enables customers to view a wide range of DLA logistics information. Access to WEBCATS by FMS customers would have required extensive programming, but Headquarters Defense Logistics Agency LPIT members were able to provide access to WebLINK-International (I) by working with DLA's Defense Logistics Information Service in Battle Creek, Michigan. WebLINK-I is a scaled down version of DLA's Logistics Information Network (LINK). While LINK has fifteen data feeds, the international version has five data feeds.

The data feeds for FMS customers are the Defense Automated Addressing System Center, the Defense Reutilization and Marketing Service (DRMS), the Logistics Information Processing System, the Logistics Remote Users Network, and the Standard Automated Material Management System). These systems provide the status and location of a customer's items; who to call for

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information; visibility of inventories and excess stock; and descriptive information about items of supply. foreign liaison, exchange officers, and other security assistance representatives from countries with FMS cases for material are eligible for using WebLINK-I after getting U.S. government sponsorship. Foreign embassy personnel in the U.S. can also be sponsored by their respective embassies. System access requests need to be forwarded through HQ DLA's Command Security Office.

All that is needed to access the unclassified information on WebLINK-I is a 128-bit browser. A database is selected by the customer; queries are built and then submitted to the LINK server. The server retrieves the data and builds the response files. After the customer clicks on Responses, the data is forwarded via email. WebLINK-I also allows for automatic queries. If you want daily information forwarded at a certain time, WebLINK-I can also do that. In addition, it has the ability to run batch queries, and the results can be downloaded on a spreadsheet. Enhancements to WebLINK-I are already being developed. These include submission of supply assistance requests) and submission of supply discrepancy reports.

### **Dual Track**

NAVICP International Programs Directorate LPIT members developed procedures for an experimental FMS case that would include characteristics of FMS and commercial procurement. The Dual Track case is a new vehicle that provides international customers access to the DoD supply system and the option of using a Commercial Buying Service (CBS) via a single FMS case. It is not intended to replace existing supplemental buying service procedures, but to create additional options.

Over a three year period, Defense Logistics Agency statistics showed non-Cooperative Logistics Supply Support Arrangement follow-on support requisitioning had dropped by 50 percent. FMS customers started to go elsewhere for their consumable material requirements. DoD supplies the majority of FMS requirements within a few days. However, requirements subject to backorder or spot procurement often age beyond timeframes acceptable to FMS customers. Currently, 28 percent of Navy FMS requirements are on backorder. Most backorders are under \$25,000. The Department of Defense spends an inordinate number of man-hours to support these low dollar value requirements.

Dual Track represents a distinct new direction in security assistance. DoD will have the ability to provide FMS customers a single portal to DoD inventories and electronic commerce. This program will reduce backorders, improve FMS logistics response time, and provide options for tailored FMS customer support. In addition, FMS infrastructure costs will be reduced through streamlined overhead and internal management requirements. Equally important for supply chain solutions, capability will be obtained to capture all weapon system demands, sales from FMS stock, and CBS procurements for platforms operated by our allies.

### **eBusiness**

NAVICP's International Programs Department started their FMS electronic commerce with its eBusiness suite of applications. These applications are intended to allow the FMS customer direct access to various FMS related databases as well as electronic submission of business requests. Programs included in the NAVICP eBusiness suite are on-line requisitioning, supply discrepancy reports, quality deficiency reports, the SDR status center, as well as access to U.S. excess defense articles and the Management Information System for International Logistics Information Warehouse system. The EDA database allows the FMS customer to browse and purchase material excess to U.S. system stocks.

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An on-line requisition system was developed in the eBusiness suite to allow the FMS customer to enter requests for all types of requisitions (stock numbered, part numbered, and publications). The system defaults fields such as fund code and signal code to reduce the amount of data entry required by the customer. Drop-down boxes are provided for unit of issue, document identifier, demand code, and priority to ensure correct data. Should the customer enter a wrong document identifier, the form will not accept remarks data, and an error message will be displayed. Upon submission, an email is sent to the user to confirm receipt. An on-line help page is incorporated and lists each field, its use, and proper entries.

NAVICP eBusiness development is a new and exciting field providing the FMS customer unprecedented visibility and access to their programs. The eBusiness suite was designed for ease of use by FMS customers and includes security features to ensure country access is restricted to authorized users by user identification and password. The suite of applications includes submission forms, status centers, and powerful databases with full ad hoc query capabilities. FMS eBusiness is expected to expand in the years ahead to streamline processes and reduce costs for the U.S. system and for FMS customers. The end-state will be a true, paperless environment, which will provide improved FMS customer service and support.

### **Power Track**

Power Track is an internet-based freight payment system that allows Department of Defense customers to process invoices electronically to expedite shipments to the U.S. A bank in the U.S. initially developed the system for online freight payment and transaction tracking. DoD subsequently adopted Power Track as its standard method to pay contracted carriers for the military services, National Guard, DLA, and TRANSCOM. NAVICP-OF introduced Power Track as another option for FMS customers to return approved SDR unclassified material. Power Track software was installed on one of NAVICP's dedicated computers. NAVICP then selected Emery Worldwide as its prototype Power Track air carrier. Emery is transporting return material from Canada, France, Italy, Japan, South Korea, New Zealand, Spain, and Taiwan.

The operational advantages of Power Track include continuous asset visibility with door-to-door delivery regardless of size or weight. Returns are completed in days or weeks instead of months. Next day delivery is also available. Economic advantages include reduced claims for lost SDR materiel being returned to the U.S. This is significant since nearly \$6,000 worth of Navy FMS SDR materiel is lost in returned shipments and written-off for customer credit every month. An advantage for carriers is that they receive payment as early as twenty-four hours after delivery, and there is one consolidated electronic monthly billing. Power Track also eliminates daily reconciling of freight bills and invoices. Time and money are saved when the individual documents do not have to be submitted every time material is returned.

Power Track is an excellent system that helps expedite material returns from FMS customers. This program also improves customer relations by simplifying SDR material tracking. Ultimately, service for FMS customer material return is faster, easier, and less expensive. NAVICP is exploring the expansion of Power Track for repair of repairables.

### **Repairable Item Replacement Option**

On 14 February, NAVAIR approved the Repairable Item Replacement Option (RIRO) program approval procedures. The RIRO program permits an FMS customer, with an existing Cooperative Logistics Supply Support Arrangement FMS case in place, to order repairable components from the Navy supply system on an exchange basis. As with all CLSSA FMS cases, NAVICP determines whether an FMS customer must augment Navy supply system stock before they begin submitting requisitions under the RIRO program. Based on input from NAVAIR and

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data from the NAVICP configuration database, NAVICP creates a table of stock numbers, which is keyed to the eligible FMS customer requesting participation in the RIRO program. Once RIRO requisitioning begins, NAVICP electronically screens incoming FMS requisitions against the aforementioned table and rejects those requisitions for items that do not pass the NAVICP front-end screen. Requisitions that pass the screening are processed for issue from the supply system.

RIRO allows a FMS customer to replace failed repairable items by using procedures for requisitioning, payment, and carcass tracking similar to those used by the USN/USMC fleet customers. It enhances a FMS customer's CLSSA program by permitting an FMS customer to requisition repairable components from the U.S. Navy supply system on an as needed basis. NAVAIR program managers may exclude items from the RIRO program. The exclusion policy is required for technical and safety reasons such as fatigue life tracking, configuration control, and other technical reasons as determined by the designated assistant program manager for logistics.

Implementing a RIRO program can substantially reduce a potential customer's initial investment (e.g. lower spares pipeline time and reduced I-level support equipment and training requirements). It also permits a phased initial support strategy that, among other things, addresses a long-standing concern of FMS customers that they purchased too many excess spares during the initial support phase of a new program. RIRO also benefits the USN in that it permits the recapitalization of funds into the navy working capital fund for more urgent requirements and helps reduce the NWCF cost recovery rate by increasing obligation authority.

### ***FMS Integrated Logistics Support Acquisition Manual***

The purpose of the *Foreign Military Sales Integrated Logistics Support Acquisition Manual* (ILSAM) is to provide a reference document for international customers that are planning to purchase an off-the-shelf weapon system under either an FMS case or direct commercial sales (DCS) contract. While the ILSAM was developed by LPIT members for customers that are purchasing U.S. Navy (USN) aviation weapon systems, the principals apply to the purchase of ship systems as well as other military Service-managed systems. The ILSAM is considered an essential tool for an FMS customer-manager assigned as a life cycle program manager (LCPM) and responsible for cost effective and responsive life cycle support.

The ILSAM does not address all aspects of procuring integrated logistics support. Rather, it focuses on selected logistics processes that impact operation and support costs which are estimated to comprise above 75 percent of a weapon system life cycle cost (LCC) if the weapon system is purchased off-the-shelf. Operation and support costs consists of all costs incurred by a user to field and sustain a weapon system including personnel, spare and repair parts, fuel, transportation, and maintenance. Operation and support costs are a sub-set of a weapon systems overall LCC that begins with the research and development phase of a weapon system's development and ends with the disposal phase. For example, the document assists a LCPM to develop cost and readiness goals that flow from an overall logistics strategy, independently validates a potential supplier's offer and forecast O&S cost, and prescribes a procurement strategy to reduce cost.

The ILSAM was tailored primarily for use by logistics managers as they plan, procure and manage the fielding of a new weapon system and the planning for follow-on support. It is both a management and working level tool. The ILSAM applies to all off-the-shelf weapon system procurements regardless of whether the weapon system is delivered from production or purchased from excess foreign government inventories.

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## **Reduced Initial/Life Cycle Support Costs for FMS Customers**

Recent DoD directives such as DoD 5000.1 have promoted the adoption of innovative approaches to fielding new weapon systems and providing follow-on life cycle support through the use of competitive sourcing to select best-value providers from U.S. government, industry, or public-private partnerships. These approaches resulted in a streamlined logistics infrastructure, reduced logistics response cycle times, weapon system supply chains integrated with DoD and commercial logistics systems, and more funding for recapitalization and operational manning requirements.

Current DoD policy also promoted increased accountability throughout a weapon system's life-cycle through the adoption of innovative contracting concepts and new logistics metrics, such as customer wait time, which measures the impact of logistics directly on the warfighter. Through these innovative logistics approaches, program managers have dramatically improved logistics support for domestic weapon systems.

To improve supportability of newly procured weapon systems in the domestic and international markets (both commercial and military), prime aircraft manufacturers have begun offering hybrid support concepts which some call Enhanced Contractor Initial Support (ECIS) for supporting the introduction of new systems. ECIS combines aspects of traditional U.S. government support concepts with OEM maintenance, material support, in-service engineering, and training options.

ECIS specifically targets the front-loading issues by adding a unique discriminator - prime contractor upfront funding after initial operating capability that makes critical supply chain initiatives feasible. With assurances that ECIS will provide efficient follow-on support, the U.S. government, in collaboration with the prime contractor, can safely recommend this support concept to the FMS customer to reduce their initial support investment and ensure they acquire in-country maintenance capability on a phased basis as dictated by life cycle cost considerations.

What is unique about the ECIS approach is a contractor-managed dedicated supply chain (coupled with guaranteed performance metrics), contractor managed in-country warehouse, contractor technology insertion during repair, and contractor excess inventory rebate if initial spares do not achieve the contractor-forecasted cumulative annual stock turnover rate. The bottom line is that FMS logistics managers have a host of new concepts available to reduce initial and follow-on logistics support to FMS customers that meet the DoD direction to use competitive sourcing to select best-value providers from U.S. government, industry, or public-private partnerships.

## **Conclusion**

The Naval Aviation FMS LPIT continues to introduce new approaches to FMS logistics process improvement by meeting with our LPIT members, security assistance activities from other military Services, and domestic organizations. Meetings this past year introduced the opportunity for FMS countries to participate in domestic performance based logistics (PBL) and joint aviation technical data integration programs.

Performance-based logistics is a long term agreement where the provider (commercial, organic, or public-private partnership) is incentivized and empowered to meet customer oriented performance requirements (reliability, availability, etc.) in order to improve product support effectiveness while reducing total ownership costs. Typically, a contractor designs the solutions and performs an increased role in traditional government functions, e.g., supply support, repair,

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repair management (best commercial practices), repair parts, wholesale sparing, PHS&T, etc. To pad is to optimize performance and total ownership costs.

If the FMS customer participates in the PBL contract, the USN has an obligation to provide a minimal level of technical data and access to parts no longer available in the DoD logistics system so a FMS customer can sustain a maintenance capability previously provided under government-to-government agreements. In addition, all PBL contracts will establish a process whereby FMS customers will be informed of contractor-developed obsolescence and reliability solutions so they can be incorporated in customer-owned components as they undergo depot maintenance.

JATDI is another new, innovative approach that is being discussed with FMS customers. JATDI is a domestic Web-based system that accesses digital data from a variety of sources to provide real-time, accurate data to facilitate organizational and intermediate level maintenance and/or depot maintenance operations. The benefits to the FMS customer are providing a consistent process for technical data access, a consistent cost structure and accessibility, a consistent process for technical information access, and consistent customer support between services. In addition, JATDI will fulfill customer requests for on-line access, reduce complaints about lack of access and pricing, improve life cycle support performance, and increase exposure to U.S. product support resources.

In summary, we have a hard working team that is continually striving to improve the way we do our FMS logistics business. Through our LPIT government partnerships with FMS customers and industry, we open new doors to enhance communication and logistics support for the international customers who purchase defense articles and services from the Naval Aviation Systems Team.

### **About the Author**

Mr. Stephen N. Bernard is the NAVAIR Director of FMS Logistics. He graduated from U.S. Army Flight School in 1969, serving in the Republic of Vietnam and Germany. In 1975 he received a B.A. in Experimental Psychology, and an A.A.S. in Aviation Technology from Southern Illinois University. He holds the FAA A&P and Commercial Helicopter licenses. He served as a tech data and production manager at NADEP Cherry Point, North Carolina from 1975 through 1984. In 1981 he received an M.S. in Acquisition Logistics from the Air Force Institute of Technology as a Secretary of the Navy Management Fellow. From 1985 through 1991, Stephen was Assistant PM (Logistics) for the Navy's H-46 and F/A-18 (Kuwait) programs. Currently, he is Director of FMS Logistics at the Naval Air Systems Command.